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Informal Sector and Informal Workers in India

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Informal Sector and Informal Workers in India

Ajaya Kumar Naik*

Introduction

It is well known that a major part of the workforce in India and other developing countries work in informal sector. Informal sector has become an increasingly popular subject of study, not just in economics, but also in sociology and anthropology. Keith Hart was the first person to introduce the term 'Informal Sector'. He introduced it while making a presentation on "Informal income opportunities and urban employment in Ghana" in Institute of Development Studies (IDS) in September 1971 at a conference co-organized by Rita Cruise O'Brien and Richard Jolly on urban employment in Africa months before International Labour Organisation (ILO) employment mission to Kenya came with its report "*Employment Incomes and Equality*" (Jolly, 2006). Hart distinguished formal and informal (both legitimate and illegitimate) income opportunities on the basis of whether the activity entailed wage or self-employment (Hart, 1973). Therefore the concept of informal sector used by Hart was limited to small self-employed individual workers. Although Hart's concept of informal sector had some limitations, the introduction of this concept made it possible to incorporate activities that were previously ignored in theoretical models of development and in national economic accounts (Swaminathan, 1991).

The term informal sector came in a broader sense in the academic literature only after the visit of an International Labour Organization (ILO) employment mission to Kenya in 1972. The ILO then evolved a conceptual framework and guidelines for the collection of statistics on informal sector and presented the same in the Fifteenth International Conference of Labour Statisticians (ICLS) held in February, 1993 in the form of a resolution. The resolution was then endorsed by the United Nations Statistical Commission (UNSC) and made a part of the "System of National Account (SNA) 1993" by the United Nations Economic and Social Council.

Though the term 'informal sector' gained currency after ILO evolved a conceptual framework and guidelines for the collection of statistics on informal sector, there has not been any single definition of informal/unorganised sector in India. Informal sector is a matter of discussion among the academics, policy makers etc. from the beginning as a large chunk of workforce employed in this sector. Different criteria are used to identify the informal sector but none of them was universally applicable in different empirical situations (Papola, 1981). A study by Mitra (2001) based on fourth economic census of India took the criteria of own account enterprises and employment establishments employing one to nine workers to identify the informal sector. The different organizations of India like National Sample Survey Organisation (NSSO), Directorate General of Employment and Training (DGET) etc used varying definitions of informal/unorganised sector depending on the specific requirements of each organisation. Keeping in view the absence of a uniform definition of informal/unorganised sector in India the National Commission for Enterprises in the Unorganised Sector (NCEUS) set-up a Task Force to review the existing definitions

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and formulated harmonized definitions of informal/unorganised sector employment and informal/unorganised employment.

Scope and Objective

The objective of the paper is to study the informal sector employment and Informal employment scenario across sectors, states, industry group etc in India using the new definition of informal sector and informal worker proposed by National Commission for Enterprises in the Unorganised Sector (NCEUS) and to show that the new definition is more suitable to study the informal sector.

Data Source

The study is based on secondary data collected by the National Sample Survey Organisation (NSSO) for 1999-2000 and 2004-05 through quinquennial surveys on “Employment- Unemployment”.

Existing Definitions of Informal Sector

International Definition

As per SNA (1993), the informal sector consists of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees. The informal sector forms part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households.

Definitions used in India

The First Indian National Commission on Labour (1966-69) defined ‘unorganised sector workforce’ as –“those workers who have not been able to organize themselves in pursuit of their common interest due to certain constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments”.

The National Sample Survey Organization (NSSO), which has been conducting surveys of un-organized enterprises at periodical intervals, generally adopted the following criteria for the identification un-organized sector:

- i. In the case of manufacturing industries, the enterprises not covered under the Annual Survey of Industries (ASI) are taken to constitute the un-organized sector.
- ii. In the case of service industries, all enterprises, except those run by the Government (Central, State and Local Body) and in the corporate sector were regarded as un-organized.

The NSSO also conducted a separate informal sector survey in 1999-2000 and ‘all non-agricultural enterprises, excluding those covered under the ASI, with type of ownership as either proprietary or partnership’ were treated as informal non-agricultural enterprises for the purpose of the survey.

In the compilation of National Accounts, the term un-organized sector is used to represent the residual enterprises, which are not included in the ‘organized sector’.

The coverage under ‘organizational sector’, however, differed across different segments of the economy depending on regular data availability from various administrative sources.

The Directorate General of Employment and Training (DGET) considers all establishments employing ten workers or more as organized sector, though Employment Exchange (Compulsory Notification of Vacancies) Act, 1959’, makes it mandatory to submit employment returns only for those units ordinarily employing twenty five or more persons.

Definition proposed by NCEUS

Informal Sector Worker

As per international definitions, informal sector enterprises are owned by individuals or households that are not constituted as separate legal entities independent of their owners. In the Indian context, the enterprises can be of ownership categories of (i) proprietary (ii) partnership (iii) registered under Companies Act as Companies (iv) co-operative societies registered under Societies Registration Act and (v) Government or Public Sector Undertakings. Out of these ownership categories, the enterprises operated on proprietary and partnership basis do not constitute as separate legal entities independent of their owners ie the liabilities of the enterprise fall entirely on the owners.

Another important characteristic in the international definition is that the employment size has to be below a specific threshold to be determined according to national circumstances. It has been seen by the Task Force that the appropriate employment size in the context of India is nine workers¹.

Non-registration under specific forms of national legislation is another characteristic which can be used for identifying informal enterprises as per international guidelines. However, in the case of India, there is no unique form of registration which can be used for such identification though there are several voluntary and mandatory registration systems for specific segments of industrial units.

The non-maintenance of complete accounts that would permit a financial separation of production activities of the enterprise is generally satisfied in the case of proprietary and partnership enterprises employing less than ten workers as those enterprises are not under any legal obligation to maintain separate accounts. In view of the above, the following definition of unorganized/informal sector has been recommended:

“The informal sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers”.

The word enterprise in the above definition has the same meaning as defined in the SNA 93 and refers to an institutional unit in its capacity as a producer of goods and

¹ A detailed analysis has done by NCEUS on 55th Round Survey of Informal Non-agricultural Enterprises (1999-2000), 56th Round Survey of Unorganised Manufacturing (2000-01), 57th Round Survey of Unorganised Service Sector (2001-02), Third All India Census of Small Scale Industries (2002-03) and Fifth Economic Census (2005) by size of employment and found that about 99 percent of workers employed in the enterprises working less than nine workers.

services. An enterprise is classified as proprietary if an individual is its sole owner and as partnership if there are two or more owners on a partnership basis with or without formal registration. It excludes all corporate entities, registered co-operatives, trusts and other legal entities.

Though the above definition does not make any distinction between agricultural and non-agricultural enterprises, the concept of enterprise is so far being used in India only in the context of non-agricultural sector. The use of such a restrictive meaning of enterprise would lead to the exclusion of a large number of workers in the agricultural sector, unless a corresponding unit of enterprise in agriculture is specified and used. It is, therefore, recommended that each operational holding in the crop production, plantation, forestry, animal husbandry and fishing activities may be considered as an enterprise for the purpose of applying the definition of unorganized/informal sector.

In the absence of identification of operational holdings in agriculture as enterprises and collection of the relevant details in the labour force surveys in India, it has not been possible to apply the above definition of informal sector in the field of agriculture so far. Nevertheless, the size of employment in the un-organized informal sector and its distribution need to be estimated and as such all workers in the agricultural sector except those in plantations have been regarded as informal sector workers in agriculture. This approximation has been made on the basis of the following assumptions:

- i) Plantations are generally large in size and the workers in the sector are protected under Plantations Labour Act, 1951;
- ii) Organized farming is very rare in India and crop cultivation and other agricultural activities are primarily carried out by private households possessing small pieces of land or holdings.

Informal Worker

To estimate the contribution of Informal sector to gross domestic product the definition of informal sector was included in the System of National Accounts (SNA), 1993. The definition is, therefore, in terms of characteristics of the enterprise rather than in terms of the characteristics of the worker. Thus a large number of workers with informal job status were excluded. Some of the reasons for the exclusion are.

- (i) The persons engaged in very small-scale or casual self-employment activities may not report in statistical surveys that they are self employed, or employed at all, although their activity falls within the enterprise-based definition.
- (ii) Certain groups of persons such as out-workers, sub-contractors, free-lancers or other workers whose activity is at the borderline between self-employment and wage employment are likely to be missed or wrongly classified.
- (iii) An enterprise based definition of the informal sector will not be able to capture all aspects of the increasing “informalisation” of employment, leading to various forms of informal employment even in the formal sector.
- (iv) Persons employed in private households as domestic servants, gardeners, etc. are likely to be left out in an enterprise based definition.

The Employment relationship even in the so called organized sector is not formal in a good percentage of cases and many workers working in the formal sector without any protection and social security. At the same time, there are atleast a few employees in the unorganised/ informal sector that enjoys formal employment relationship. The National Commission for Enterprises in the Unorganized Sector (NCEUS) took note of these aspects and decided to complement the definitions of unorganized/ informal sector with a definition of informal employment.

“Informal workers consists of those working in the informal sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers”

Magnitude of workforce engaged in the unorganised/informal sector

India is an emerging economy with 457.46 million workers in 2004-05. The size of workforce was 396.76 million in 1999-2000. A large chunk of the workforce was engaged in the informal sector. The estimated number of informal sector workers in 2004-05 was 394.90 million in India contributing 86 percent of total workers. Table 1 shows the distribution of informal and formal sector workers by sector and sex between 1999-2000 and 2004-05. In rural areas the share of informal sector workers in each population segment recorded more than 90 percent and the share of female workers (94.50 percent) is more than male workers (90.34 percent) in 2004-05. In 1999-00 the situation was same for rural area but over the years the percentage share declined in rural areas. Contrast to rural areas, in urban areas around 70 percent of workers worked in the informal sector but between the study period the share of informal workers in urban areas increased.

Table-1: Distribution of informal and formal sector workers by sector and sex between 1999-2000 and 2004-05 (in million)

Sector	Sex	Informal Sector		Formal Sector		Total	
		1999-00	2004-05	1999-00	2004-05	1999-00	2004-05
Rural	Male	178.50	197.87	18.24	21.17	196.74	219.04
	Female	98.63	117.21	5.39	6.82	104.02	124.03
	Persons	277.13	315.08	23.63	27.99	300.75	343.07
Urban	Male	51.62	61.94	25.42	28.46	77.05	90.4
	Female	13.89	17.88	5.07	6.12	18.96	24
	Persons	65.51	79.82	30.50	34.58	96.01	114.4
Total	Male	230.12	259.81	43.66	49.63	273.78	309.44
	Female	112.51	135.09	10.46	12.94	122.98	148.03
	Persons	342.64	394.9	54.12	62.57	396.76	457.46

Source: Computed from NSSO 55th (1999-2000) and 61st (2004-05) Round Survey on Employment-Unemployment.

Table 2 reports the average annual growth rate of workers by sector and sex in both informal sector and formal sector. The growth rate of total formal sector workers (2.94 percent) is little bit higher as compared to informal sector growth rate (2.88 percent). It is observed from the table that the growth rate of formal sector workers in rural areas in all categories is higher than growth rate in informal sector workers but the reverse happened in urban area. The growth rate of urban informal sector is higher than formal sector workers. Highest growth rate recorded in the case of urban female at 5.18 percent. In rural areas also the growth rate of female workers in informal

sector is more than male workers. The growth rate of female workers is higher than male workers in formal sector also. It is concluded from the table that the growth rate of female workers is more than male workers but the growth is more in case of formal sector than informal sector.

Table 2: Average Annual Growth Rate of workers by sector and sex between 1999-2000 and 2004-05 (in percent)

Sector	Sex	Informal Sector	Formal Sector	Total
Rural	Male	2.08	3.03	2.17
	Female	3.51	4.82	3.58
	Persons	2.60	3.45	2.67
Urban	Male	3.71	2.28	3.25
	Female	5.18	3.82	4.83
	Persons	4.03	2.54	3.57
Total	Male	2.46	2.60	2.48
	Female	3.73	4.34	3.78
	Persons	2.88	2.94	2.89

Source: Estimated from Table 1.

Table 3 gives the estimated number of informal sector workers and share of informal sector workers to total workers by industry group. Agricultural sector absorb 60 percent of workforce in India in 1999-00 which came down to 57 percent in 2004-05. The share of agriculture sector is more in informal sector workers; it is 68 percent and 64 percent for the respective periods. After agriculture, it is the service sector where 19 percent of informal sector workers engaged in 1999-00 and this figure increases to 21 percent in 2004-05. The share of industry sector in the informal sector workers also increased from 13 to 15 percent in the same period. If we look by Industry group after agriculture it is trade and manufacturing sector where a sizeable number of informal sector workers engaged. Around three fourth of the trade sector workers are in the profession of merchants & shopkeepers, wholesale & retail trade and salesmen, shop assistants and related workers. The share of informal sector workers in the trade sector was 93.64 percent in 1999-00 and it increase to 95.54 percent in 2004-05. Whereas in manufacturing this share was 70.19 and 71.20 percent in the respective years. Highest growth rate recorded in the sector household and extra activities (25.42 percent) between the study period. Other industry groups where the growth rate of informal sector workers is higher than others are Real estate (10.25 percent), Finance (10.00 percent) and Construction (8.77 percent).

Table 3: Estimated Number of Informal Sector Workers, Percentage share of Informal Sector Workers to Total Workers and Average Annual Growth Rate by Industry Group between 1999-2000 and 2004-05

Industry Group	Estimated number of informal sector worker (in million)		Share of informal sector workers to total (in percent)		Growth rate (%)
	1999-00	2004-05	1999-00	2004-05	
Agriculture	232.21	252.83	97.70	97.65	1.72
Mining	0.88	0.89	40.55	33.74	0.22
Manufacturing	30.92	39.71	70.19	71.20	5.13
Electricity	0.09	0.09	8.35	6.59	-1.99
construction	12.92	19.66	73.66	75.58	8.77
Trade	34.29	41.43	93.64	95.54	3.85

Hotels	4.08	5.29	88.30	86.72	5.34
Transport	10.44	14.02	71.42	75.93	6.09
Finance	0.49	0.80	21.91	25.70	10.00
Real estate	2.02	3.29	75.66	70.74	10.25
Administration	0.80	0.08	7.66	0.90	-37.01
Education	2.29	3.07	27.04	26.88	6.04
Health	1.22	1.64	42.85	44.18	6.03
Community	8.47	7.40	86.82	88.20	-2.67
Household & Extra	1.51	4.70	81.58	98.72	25.42
Total	342.64	394.90	86.36	86.32	2.88

Source: *ibid.*

Tables 4 illustrate the distribution of estimated number of informal sector workers per thousand population and share of informal sector workers to total workforce across states. In Andhra Pradesh, Himachal Pradesh, Karnataka, Madhya Pradesh the estimated number of informal sector workers per thousand population was highest in descending order. But both in 1999-00 and 2004-05 the share informal sector worker was highest in Bihar followed by Uttar Pradesh, Rajasthan and Orissa. The mentioned four states are very poor in comparison to others states of India. The incidence of poverty or the percentage of poor living below poverty line in these states much above the national average. It seems there is a positive correlation between poverty and informal sector. The estimated correlation coefficient between percentage of population below poverty line and share of informal sector workers to total workers by state is .47 in 2004-05. Between the study period the growth rate of informal sector workers in these poor states is more than national average annual growth rate (2.88 percent) except Bihar (1.53 percent). There is no clear pattern among the developed states in the share of informal sector workers. Except Gujarat in other developed states i.e. Haryana, Maharashtra and Punjab the share of informal sector workers to total workers increased between 1999-00 and 2004-05 whereas in Gujarat the share decreased from 85.06 to 82.83 percent in the respective time period. In Kerala the share of informal sector workers is the lowest among all states both in 1999-00 at 67.56 percent and it further declined to 63.40 percent in 2004-05. Highest growth rate in informal sector workers is record in Assam (7.17 percent), Haryana (6.82 percent), Other North Eastern states (5.83 percent) and Rajasthan (5.51 percent).

Table 4: Estimated Number of Informal Sector Workers per Thousand Population, Percentage share of Informal Sector Workers to Total Workers and Average Annual Growth Rate by State between 1999-2000 and 2004-05

State	Estimated number of informal sector worker per thousand population		Share of informal sector workers to total (in percent)		Growth rate (%)
	1999-00	2004-05	1999-00	2004-05	
Andhra Pradesh	420	443	88.45	88.28	1.01
Assam	267	326	76.70	84.41	7.17
Bihar*	313	315	93.71	93.59	1.53
Gujarat	380	386	85.06	82.83	2.32
Haryana	279	334	82.44	83.45	6.82
Himachal Pradesh	437	438	88.47	83.66	2.85
J&K	368	322	87.69	81.65	-2.87
Karnataka	378	424	84.51	86.58	2.88
Kerala	258	250	67.56	63.40	1.98

Madhya Pradesh*	384	398	90.47	89.24	2.52
Maharashtra	344	380	81.51	82.00	3.05
Orissa	362	393	89.62	90.08	3.25
Punjab	331	355	85.60	85.23	3.68
Rajasthan	373	393	91.04	91.16	5.51
Tamil Nadu	381	391	81.85	80.76	0.39
Uttar Pradesh*	306	338	90.95	92.20	3.91
West Bengal	312	327	86.79	85.42	3.65
Other North Eastern states	314	346	85.13	83.72	5.83
Other states & UTs	197	210	60.39	60.85	1.46
Total	341	362	86.36	86.32	2.88

Note: Bihar include Jharkhand, Madhya Pradesh include Chhattisgarh and Uttar Pradesh include Uttarakhand.

Source: *ibid.*

Magnitude of unorganised/informal Worker

The concept of Informal Worker is based on the personal characteristic of the worker rather than enterprise. The estimated number of informal workers is more than that of informal sector workers. In 2004-05, the estimated number of informal workers was 422.61 million and it was 361.74 million in 1999-00. Table 5 shows a cross tabulation of informal sector workers and informal workers in 1999-2000 and 2004-05. More than 99 percent of informal sector workers are informal workers but only 62.20 percent of formal sector workers are formal workers in 1999-00 and it further slide down to 53.42 percent in 2004-05. It appears from the below table that a large number of workers working in the formal sector by enterprise characteristics but there job is informal in nature. They didn't have any social security, job security and other benefits which the regular wage employees getting in the formal sector and over the years the share of workers in this category increased from 20.46 million in 1999-00 to 29.14 million in 2004-05. This indicates that casualisation or the amount of contractual labour increases in the formal sector which is a matter of great concern for policy makers. Informal workers consist of 92.38 percent of total workers in India in 2004-05.

Table 5: Distribution of Workers by Type of Employment and Sector (Million)

	Informal Workers		Formal Workers		Total Workers	
	1999-00	2004-05	1999-00	2004-05	1999-00	2004-05
Informal Sector Workers	341.28 (99.60)	393.47 (99.64)	1.36 (0.40)	1.43 (0.36)	342.64 (100)	394.90 (100)
Formal Sector Workers	20.46 (37.80)	29.14 (46.58)	33.67 (62.20)	33.42 (53.42)	54.12 (100)	62.57 (100)
Total Workers	361.74 (91.17)	422.61 (92.38)	35.02 (8.83)	34.85 (7.46)	396.76 (100)	457.46 (100)

Note: Figures in bracket indicate percentages

Source: *ibid.*

Estimated number of Informal and formal workers by sector and sex in 1999-00 and 2004-05 are depicted in Table 6. Above 95 percent of rural workers are informal workers. As per 2004-05 Employment-Unemployment survey 98.04 percent of female workers are informal worker and it was 97.78 percent in 1999-00. In urban areas also

the share of female informal workers is higher than male at 85.01 percent in 2004-05. Rural sector contributes 78.23 percent of informal workers to total informal workers. It was observed in the case of informal sector workers that the share of female workers in the formal sector increase over the years but in case of informal workers across all population segment the share of informal workers increased between 1999-00 and 2004-05.

Table-6: Distribution of informal and formal workers by sector and sex between 1999-2000 and 2004-05 (in million)

Sector	Sex	Informal Worker		Formal Worker		Total	
		1999-00	2004-05	1999-00	2004-05	1999-00	2004-05
Rural	Male	186.17	209.01	10.57	10.03	196.74	219.04
	Female	101.71	121.60	2.31	2.43	104.02	124.03
	Persons	287.87	330.62	12.88	12.45	300.75	343.07
Urban	Male	58.33	71.60	18.72	18.80	77.05	90.40
	Female	15.53	20.40	3.43	3.60	18.96	24.00
	Persons	73.87	91.99	22.14	22.40	96.01	114.40
Total	Male	244.50	280.61	29.28	28.83	273.78	309.44
	Female	117.24	142.00	5.74	6.03	122.98	148.03
	Persons	361.74	422.61	35.02	34.85	396.76	457.46

Table 7 shows the average annual growth rate of workers in informal and formal workers category. It is observed here that the growth rate of female workers both in rural as well as in urban areas is greater than male workers growth rate and within the female workers growth rate of urban female informal workers (5.60 percent) is more than rural female (3.64 percent) between 1999-00 and 2004-05. In case of formal workers the growth rate of male informal workers is negative. The absolute number of male formal workers came down from 29.28 million in 1999-00 to 28.83 million in 2004-05. This negative growth is due to fall in formal employment in rural male segment. Female workers in formal workers category increase by around 1 percent of growth rate both in rural as well as urban areas.

Table 7: Average Annual Growth Rate of workers by sector and sex between 1999-2000 and 2004-05 (in percent)

Sector	Sex	Informal Worker	Formal Worker	Total
Rural	Male	2.34	-1.05	2.17
	Female	3.64	0.99	3.58
	Persons	2.81	-0.67	2.67
Urban	Male	4.18	0.09	3.25
	Female	5.60	0.97	4.82
	Persons	4.49	0.23	3.57
Total	Male	2.79	-0.31	2.48
	Female	3.91	0.98	3.78
	Persons	3.16	-0.10	2.89

Table 8 gives the estimated number of informal workers, percentage share of informal workers to total workers and average annual growth rate of informal workers between 1999-00 and 2004-05. Around 61 percent of informal workers are from agricultural sector and within the agriculture the share of informal sector to total workers is 98.89 percent in 2004-05. Household and extra activities industry group's share of informal workers to total workers (99.23 percent in 2004-05) is more than agriculture but the

size is quite less in comparison to other industry group. Next to agriculture other industry groups whose share of informal workers to total workers is more than 90 percent are Trade (98.11 percent), Construction (97.33 percent), Hotels & restaurant (95.02 percent) and community activities (94.99 percent) in 2004-05. In the informal sector workers next to agriculture sector maximum number of workers worked in Trade sector but in the case of informal workers manufacturing industry group came after agricultural with 49.30 million and the 42.54 million in Trade in 2004-05. The growth rate of informal workers by industry group shows that highest growth rate was recorded at 22.08 percent in the household and extra activities industry groups between 1999-00 and 2004-05. Other industry groups where more than 10 percent growth rate of informal workers taken place between the study period are Finance (14.15 percent), Real estate (10.75 percent) and Education (10.32 percent). Significant growth rate of informal sector recorded in Construction, Manufacturing, Hotel and Transport industry groups.

Table 8: Estimated Number of Informal Workers, Percentage share of Informal Workers to Total Workers and Average Annual Growth Rate by Industry Group between 1999-2000 and 2004-05

Industry Group	Estimated number of informal worker (in million)		Share of informal workers to total (in percent)		Growth rate (%)
	1999-00	2004-05	1999-00	2004-05	
Agriculture	234.79	256.07	98.79	98.89	1.75
Mining	1.56	1.78	71.75	67.39	2.68
Manufacturing	36.85	49.30	83.65	88.38	5.99
Electricity	0.21	0.24	18.75	18.72	2.74
construction	16.90	25.32	96.40	97.33	8.42
Trade	35.41	42.54	96.69	98.11	3.74
Hotels	4.35	5.80	94.30	95.02	5.89
Transport	11.44	15.28	78.30	82.70	5.95
Finance	0.63	1.21	27.80	39.24	14.15
Real estate	2.24	3.73	83.73	80.09	10.75
Administration	1.60	1.19	15.27	13.46	-5.75
Education	3.24	5.29	38.22	46.28	10.32
Health	1.50	2.18	52.51	58.80	7.79
Community	9.28	7.97	95.15	94.99	-3.01
Household & Extra	1.74	4.72	93.86	99.23	22.08
Total	361.74	422.61	91.17	92.38	3.16

Source: *ibid.*

State level analysis of informal workers depict in Table 9. In the poor states as stated earlier in the discussion of informal sector workers the share of informal workers is more than national average. Along with the poor state in the share of informal workers in Andhra Pradesh (93.95 percent) is more than nation. Bihar has the highest percentage of informal workers (96.46 percent) followed by Uttar Pradesh (95.53 percent), Rajasthan (95.17 percent), Madhya Pradesh (95.17 percent) and Orissa (94.53) in 2004-05. The share of informal workers is low in Other states and UTs (75.18 percent) followed by Kerala (81.27 percent). The growth rate of informal workers between 1999-00 and 2004-05 is highest in Haryana (7.21 percent) followed by Assam (6.30 percent) and other north eastern states (6.25 percent). Estimated number of informal workers per thousand population in Himachal Pradesh was 451 and 472 in 1999-00 and 2004-05 respectively which is highest among all the states

followed by Andhra Pradesh with 438 and 471 informal workers per thousand population for the same period.

Table 9: Estimated Number of Informal Workers per Thousand Population, Percentage share of Informal Workers to Total Workers and Average Annual Growth Rate by State between 1999-2000 and 2004-05

State	Estimated number of informal worker per thousand population		Share of informal workers to total (in percent)		Growth rate (%)
	1999-00	2004-05	1999-00	2004-05	
Andhra Pradesh	438	471	92.23	93.95	1.42
Assam	297	349	85.36	90.19	6.30
Bihar*	319	324	95.45	96.46	1.77
Gujarat	408	426	91.44	91.59	2.90
Haryana	296	361	87.51	90.20	7.21
Himachal Pradesh	451	472	91.22	90.20	3.77
J&K	374	349	89.14	88.49	-1.62
Karnataka	410	450	91.51	91.90	2.47
Kerala	305	321	80.03	81.27	3.60
Madhya Pradesh*	401	423	94.36	94.93	2.92
Maharashtra	368	415	87.25	89.61	3.47
Orissa	378	412	93.46	94.53	3.38
Punjab	349	378	90.26	90.88	3.91
Rajasthan	385	411	93.88	95.17	5.77
Tamil Nadu	416	435	89.27	89.89	0.80
Uttar Pradesh*	318	351	94.30	95.53	3.90
West Bengal	326	349	90.75	91.19	4.08
Other North Eastern states	325	365	87.97	88.26	6.25
Other states & UTs	233	260	71.31	75.18	2.38
Total	360	388	91.17	92.38	3.16

Note: Bihar include Jharkhand, Madhya Pradesh include Chhattisgarh and Uttar Pradesh include Uttarakhand.

Source: *ibid.*

Conclusions

Informal sector accounts for a sizeable number of workers in India across different industry groups and states. The concept of informal sector and informal workers proposed by NCEUS is more appropriate in the context of Indian statistical system and it better compatible with international definition of informal sector. The estimated number of informal sector workers in 2004-05 was 394.90 million in India contributing 86 percent of total workers. Over the year the proportion of rural informal sector workers decreased and the opposite happened in urban areas. It is observed between the study period of 1999-00 to 2004-05 that the growth rate of formal sector workers in rural areas in all categories is higher than growth rate in informal sector workers but the reverse happened in urban area. The growth rate of urban informal sector is higher than formal sector workers. The proportion of informal sector workers in the agriculture sector declined over the years but in industry and services sector the proportion of informal sector workers increased between 1999-2000 and 2004-05. There is positive and significant correlation between inform sector employment and the incidence of poverty in the states. The percentage share of informal sector workers in the poor states is more than developed states.

The definition of informal sector workers is more about the characteristics of the enterprise rather than the characteristics of the worker. The concept of Informal Worker is based on the personal characteristic of the worker rather than enterprise. Informal workers consist of 92.38 percent of total workers in India in 2004-05. Around half of the formal sector workers are informal workers. This indicates that casualisation or the amount of contractual labour increases in the formal sector which is a matter of great concern for policy makers. Since the formal sector unable absorb the vast labour force of India the policy makers should think to bring the workers in the informal segment to the mainstream.

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